

D.T.E. 01-102

Petition of Massachusetts Electric Company and Nantucket Electric Company for approval of a Rate Reconciliation and Adjustment filing.

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FOR: MASSACHUSETTS ELECTRIC COMPANY  
NANTUCKET ELECTRIC COMPANY  
Petitioner

## I. INTRODUCTION

On November 30, 2001, pursuant to settlement agreements approved by the Department of Telecommunications and Energy (“Department”) in Massachusetts Electric Company, D.P.U./D.T.E. 96-25 (1996), and Nantucket Electric Company, D.P.U./D.T.E. 97-94 (1998), Massachusetts Electric Company and Nantucket Electric Company (collectively, “MECo” or “Company”) filed its rate reconciliation and adjustment filing for calendar year 2002.

The Company proposed: (1) a default service adjustment factor of \$0.00083 per kilowatthour (“KWH”); (2) an average transition cost charge of \$0.00839 per KWH; (3) an average transmission service charge of \$0.00535 per KWH; (4) a demand-side management charge of \$0.00250 per KWH; and (5) a renewables charge of \$0.00075 per KWH. The Company did not propose a standard offer service (“SOS”) reconciliation adjustment factor for calendar year 2002 to recover the uncollected balance as of September 2001. Instead, the Company proposed to recover the uncollected standard offer service costs through the standard offer service fuel adjustment (“SOSFA”) as described below. The Company proposed that the tariff adjustments go into effect January 1, 2002. The Department docketed the filing as D.T.E. 01-102. The Company’s last reconciliation filing, D.T.E. 00-109, was approved subject to further reconciliation and is still under investigation. The Company’s last SOSFA filing was approved in Standard Offer Service Fuel Adjustments, D.T.E. 00-66, 00-67, 00-70 Letter Order (December 4, 2000).

The Company proposed<sup>1</sup> to reduce the SOSFA factor from its current level of \$0.02551 per KWH to \$0.01426 per KWH resulting in a decrease of \$0.01125 per KWH. The Company stated that the proposed decrease is due to the recent decline of fuel oil and natural gas prices. The proposed SOSFA factor of \$0.01426 per KWH would be added to the 2002 base SOS price of \$0.042 per KWH resulting in a total SOS price of \$0.05626 per KWH (SOSFA Letter at 2).

Based on MECo's forecast of lower oil and gas prices, the Company anticipates that no fuel index payments will be billed to it from suppliers in months after March 2002. MECo anticipates that if it is allowed to implement the proposed SOSFA factor, the Company's SOS deferral amounts (approximately \$119 million as of October 2001) will be substantially recovered by the end of June 2002. Accordingly, the Company states it will not need a SOSFA factor beginning July 2002 if fuel prices continue to decline (id.).

On December 6, 2001, the Department requested comments on the Company's proposed rate adjustments and reconciliation for 2002. Notice was issued to all of the participants in D.P.U./D.T.E. 96-25 and Massachusetts Electric Company, D.T.E. 00-109. On December 14, 2001, the Department received comments from the Attorney General of the Commonwealth. On December 18, 2001, the Department received the Company's reply comments.

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<sup>1</sup> The Company filed its SOSFA proposal under separate cover on November 15, 2001 ("SOSFA Letter").

## II. ANALYSIS AND FINDINGS

The Department determines that further investigation into this filing is necessary. However, the Department finds that the tariffs (including the SOSFA factor) are in compliance with Department precedent<sup>2</sup> and G.L. c. 164, § 1B(b). Therefore, allowance is in the public interest and the proposed adjustments are approved for consumption on and after January 1, 2002. The Company has demonstrated that it will continue to incur standard offer fuel-related costs. To the extent that the Company has unrecovered SOSFA costs, the Company may continue to implement the SOSFA factor.<sup>3</sup> The Company is required to notify the Department forty-five days in advance of when it forecasts that all of its SOSFA related costs will be recovered. In addition, the Company shall report to the Department by May 31, 2002 its SOSFA deferral balance, its actual SOSFA monthly amounts and any proposed change in the SOSFA factor effective July 2002. The Company's rate changes are allowed subject to reconciliation pursuant to the Department's ongoing investigation.

## III. ORDER

After due notice and consideration, it is

ORDERED: That the standard offer service charge, default service adjustment factor, transmission service charges, demand-side management charge, renewables charge, and transition cost charges as proposed by Massachusetts Electric Company and Nantucket Electric

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<sup>2</sup> Massachusetts Electric Company, D.T.E. 99-111 Letter Order (December 17, 1999); Massachusetts Electric Company, D.T.E. 00-109; Standard Offer Service Fuel Adjustments, D.T.E. 00-66, 00-67, 00-70 Letter Order.

<sup>3</sup> The Company's SOSFA factor shall recover only fuel index payments billed from SOS suppliers.

Company are ALLOWED subject to reconciliation pursuant to the Department's investigation; and it is

FURTHER ORDERED: That Massachusetts Electric Company and Nantucket Electric Company may implement a standard offer service fuel adjustment factor in the amount of \$0.01426 per KWH. To the extent that Massachusetts Electric Company and Nantucket Electric Company have unrecovered SOSFA costs, the Company may continue to implement the SOSFA until the end of June 2002; and it is

FURTHER ORDERED: That Massachusetts Electric Company and Nantucket Electric Company comply with any and all other directives contained in this Order.

By Order of the Department,

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James Connelly, Chairman

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W. Robert Keating, Commissioner

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Paul B. Vasington, Commissioner

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Eugene J. Sullivan, Jr., Commissioner

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Deirdre K. Manning, Commissioner